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Executive Board of the United Nations Development Programme the United Nations Population Fund and the United Nations Office for Project Services

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United Nations Population Fund

Institutional budget estimates for 2012-2013 and revision of financial regulations and rules

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations Population Fund (UNFPA) on the institutional budget estimates for 2012-2013 (DP/FPA/2012/1) and the report of the Executive Director on the proposed revisions to the UNFPA Financial Regulations and Rules (DP/FPA/2012/3). During its consideration of the two reports, the Advisory Committee met with the Executive Director, the Deputy Executive Director (External Relations, United Nations Affairs and Management) and other representatives, who provided additional information and clarification.

Format and presentation

2. The Advisory Committee recalls that in 2010 the Executive Boards of UNDP, UNFPA and UNICEF approved the proposals that were presented in a joint report of the three organizations entitled, "Road map to an integrated budget: cost classification and results-based budgeting". The report was the culmination of a review of existing cost definitions and classification of activities and associated costs, as well as results-based budgeting models and methodologies of selected United Nations organizations and bilateral donors, in order to identify best practices. The three organizations agreed to work together for greater harmonization and improvement in the presentation of the biennial support budget for 2012-2013, and also work towards the presentation of a single, integrated budget for each organization beginning in 2014. The Advisory Committee notes that in accordance

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with decision 2011/10 of the Executive Board of UNDP, UNFPA and UNOPS, the 2012-2013 institutional budget has been prepared following the results-based approach and is presented in the new cost classification format agreed upon by UNDP, UNFPA and UNICEF. The budget therefore represents an important milestone on the road map to the implementation of the fully integrated budget in 2014.

Projected resources

3. According to the integrated resource plan summarized in the annex to the present report, the total projected resources (regular resources and other resources) for the biennium 2012-2013 amount to $2,185.6 million, which comprises an opening balance of $466.8 million and a total revenue of $1,718.8 million, reflecting an increase of $236 million, or 12.1 per cent, compared with the revised estimate of $1,949.6 million for 2010-2011. For 2012-2013, total regular resources are projected at $1,131.5 million, reflecting an increase of $92.5 million, or 8.9 per cent, compared with $1,039 million in 2010-2011. Other resources are projected at $1,054.2 million, reflecting an increase of $143.6 million, or 15.8 per cent, compared with $910.6 million in 2010-2011.

4. Income from regular resources, mostly contributions, is estimated at $1,038 million for 2012-2013, reflecting an increase of $51.4 million, or 5.2 per cent compared with $987.4 million for 2010-2011. Income from other resources is estimated at $680 million, reflecting an increase of $47.7 million, or 7.5 per cent compared with $632.3 million in 2010-2011. As regards the use of resources, the total resources proposed for 2012-2013 is $1,751.8 million, of which $1,459.6 million will be used for programmes and $292.2 million for the institutional budget. In paragraph 5 of his report, the Executive Director indicates that UNFPA is strengthening its strategic partnerships with middle-income countries and working with non-traditional donors, including the private sector and foundations, which presents opportunities for further revenue growth despite the prevailing economic uncertainty. **The Advisory Committee welcomes the initiative to strengthen partnerships, including with middle-income countries and looks forward to receiving further information on the results in the context of future budget submissions. In addition, the Committee notes the projected increase in contributions in the 2012-2013 budget.**

Strategic context

5. In paragraphs 11-14 of the report, the Executive Director indicates that the 2008-2013 UNFPA strategic plan provides the framework for the 2012-2013 budget and defines the following four key management outputs to address the challenges identified in the strategic plan:

(a) Enhanced programme effectiveness through strengthened results-based and evidence-based programming;

(b) Strengthened stewardship of resources through improved efficiency and risk management;

(c) Appropriately staffed UNFPA with high-performing professionals fulfilling its mission; and

(d) Secured broad-based and stable funding to meet the strategic plan resource requirements.

In the institutional budget, the results and resources framework, summarized in table 2 of the Executive Director's report, provides the link between strategic plan outputs and the resources allocated or initiatives identified to achieve the outputs. The framework follows the harmonized results-based budgeting methodology (see paragraph 2 above).

6. The Advisory Committee notes, from the results and resources framework, that accountability for the achievement of outputs is not tied to a single organizational unit but is shared across organizational units or functional clusters. Upon enquiry, the Committee was informed that while accountability for the outputs was a collective effort, there were other tools to enforce accountability, most notably Office Management Plans (OMPs) containing concrete deliverables at the office level and Performance Appraisal and Development (PAD) plans at the individual level. The managers of the organizational units were fully accountable for the resources they were entrusted with and, through reporting mechanisms, the actual expenditure for each functional cluster could be linked back to the strategic plan outputs. **The Advisory Committee trusts that UNFPA has sufficient tools in place to ensure that the managers of organizational units are held individually accountable for the achievement of organizational goals.**

7. **Overall, the Advisory Committee welcomes the progress made by UNFPA in improving its budget presentation, including the results-based budgeting framework and incorporation of the new cost classifications within the context of the harmonized approach with UNDP and UNICEF. The Advisory Committee also appreciates the use of charts and tables to facilitate the presentation of detailed financial information, but considers that greater efforts should continue to be made to ensure that such charts and tables are reader-friendly.**

II. Proposed institutional budget for 2012-2013

8. The Advisory Committee notes that according to the new cost classification, the budget for development effectiveness, United Nations development coordination, management and special purpose activities is now referred to as the institutional budget. The budget is based on the results-based budgeting approach and is presented in the new cost classification format indicated in paragraphs 2 and 5 above.

9. The proposed institutional budget for 2012-2013 amounts to $292.2 million, which represents a decrease of $2.9 million or 1 per cent, compared with the restated biennial support budget of $295.2 million for 2010-2011. As indicated in paragraphs 46-53 of the Executive Director's report and summarized in table 3, the volume decreases amount to $13.3 million, partially offset by volume increases amounting to $8.5 million. The decrease is also due to one-time non-recurrent management costs in the amount of $8.9 million and special purpose costs in the amount of $5.9 million, all of which are for activities undertaken in 2010-2011 and will not be undertaken in 2012-2013. The decreases are offset by increases of $9.9 million comprising adjustments for staff costs, exchange rates and inflation ($12.2 million); partially offset by efficiency savings related the relocation of its

headquarters premises ($2.4 million). Further increases are expected from non-recurring management costs for 2012-2013 in the amount of $6.8 million related to IPSAS implementation, information technology infrastructure enhancements and investments related to staff security in the field (see also paragraph 14 below).

10. The Advisory Committee notes from the integrated resource plan the decrease in the share of management activities in proportion to the total use of resources from 15.5 per cent in 2010-2011 to 13.4 per cent in 2012-2013. The Committee also notes the corresponding increase in the proportionate share of development activities from 84.1 per cent in 2010-2011 to 86.6 per cent in 2012-2013. **Recalling its earlier comments, (DP/FPA/2009/11, para. 7), the Advisory Committee welcomes the continued trend of an increasing share of the total resources being available for programme implementation.**

11. Upon enquiry, the Advisory Committee was informed that UNFPA had emphasized to its offices the need to reduce budgets and show efficiencies in their operations. It was indicated that a more restrictive process of approving requests for consultants had been introduced, with an increased requirement for the use of in-house resources. Furthermore, UNFPA continued to benefit from the shared costs for security in its co-located field offices. At its new headquarters offices UNFPA had set up standard double-sided printing as a default, and introduced technology to restrict the usage of network colour printers. UNFPA was also promoting paperless meetings, and striving to improve connectivity to enable wireless access to online documents. **The Advisory Committee welcomes the efforts made by UNFPA to achieve cost reductions by re-examining existing operational activities while maximizing the use of new technologies and encourages continued efforts in that regard. The Committee also encourages the use of common premises and common services, which should yield further efficiencies and savings.**

Proposed staffing changes

12. The Advisory Committee notes that, according to summary table 2 of the Executive Director's report, resources amounting to an estimated $214.5 million in the 2012-2013 institutional budget have been allocated to posts. It is further indicated in paragraph 54 that a total of 994 posts are proposed for 2012-2013, reflecting a net increase of 15 posts compared with 979 in 2010-2011. The changes comprise net increase of one post at D-2 level; six posts at D-1 level; six international professional posts and two posts at other levels. The Committee further notes that the creation of 18 new posts in the field will be partially offset by the abolition of 10 posts; and 20 upgrades proposed will be partially offset by three downgrades. The upgrades will involve the reclassifications of eight country representative posts from P5 to D1 level in order to strengthen its field presence as indicated in paragraph 52 (c).

13. Upon enquiry, the Advisory Committee was informed that the proposed upgrade of country representative posts to the D1 level reflected the complexity of functions and the environment where they were located. It was also explained that UNFPA representatives are required to influence development policies by ensuring that population and other sensitive issues the organization deals with, such as reproductive health and gender, are central to development frameworks at national and community levels which requires a complex skill set comprising, inter alia,

policy analysis, advocacy and strategic policy. **The Advisory Committee notes the efforts being made by UNFPA to strengthen its field presence through the proposed post upgrades. The Committee is of the view, however, that future submissions should include more detailed information, such as job descriptions, to allow for a more informed analysis of the proposed staffing changes.**

III. Comments and observations on other issues

Implementation of IPSAS

14. During its consideration of the 2012-2013 budget, the Advisory Committee was informed that UNFPA was on track for the implementation of IPSAS in January 2012. As indicated in paragraph 78 of the Executive Director's report, the non-recurring management costs of $6.8 million budgeted for 2012-2013 include $1.2 million related to the IPSAS project management team until the end of 2012, to support the finalization and testing of systems and processes, including employee benefits, segment reporting, the rollout of the inventory module and post-adoption support. It was further indicated that the IPSAS team would be disbanded on 1 January 2013. **The Advisory Committee commends the progress made towards the implementation of IPSAS and related initiatives such as the revision of the UNFPA Financial Regulations and Rules and the enhancement of its information technology infrastructure. The Committee reiterates its opinion that the implementation should, to the extent possible, be harmonized with that of the other United Nations organizations and that the lessons learned should be documented and similarly shared.**

Travel costs

15. The Committee was further informed that a concerted management effort had been made to reduce travel costs. The measures included the increased use of videoconferencing and web-based communication as well as web-based seminars which have been used to share knowledge with field offices on subjects such as IPSAS, programming and technical matters, national execution (NEX) modality, procurement issues and cost classification issues. It was also indicated that UNFPA had decided to use non-refundable tickets for official travel, in addition to the minimum three-week advance purchase. For economy class travel, the option of procuring non-refundable airfare was deemed viable, particularly in cases of scheduled meetings attended by multiple UNFPA-funded participants such as the Executive Board meetings periodically held in Geneva. The Committee was informed that the cost of a non-refundable round-trip economy class ticket to Geneva was $750, compared to $4,044.40 for a refundable one. According to UNFPA, therefore, the measure was in the best interest of the Organization because savings far exceeded any potential penalties for cancellation. **The Advisory Committee appreciates the initiative taken by UNFPA to achieve savings from the rational utilization of travel resources. The Committee is of the view that the UNFPA experience in this regard should be shared with other United Nations funds and programmes.**

Lease for new headquarters premises

16. The Advisory Committee was informed that, for its headquarters in New York, UNFPA had secured a 15-year lease with an option to extend for another 10 years. The Committee was also informed that UNFPA had secured the services of a real estate expert, employed a dedicated real estate broker and consulted the United Nations Office of Legal Affairs to ensure that its best interests were fully protected in the agreement. In addition, UNFPA had secured a contribution of $2.16 million from the landlord towards infrastructure improvements as well as a six-month rent-free period valued at $2.2 million. It was indicated that the interest rates fixed at the signing of the lease entailed savings and advantages over the previous property, the News Building, and would be impossible to replicate in the prevailing real estate market. In that regard, the "lease-to-own option" had not been considered because it was not a generally accepted United Nations practice within New York City and the necessary funding had not been available.

The concept of knowledge hubs

17. Upon enquiry, the Advisory Committee was provided with additional information with regard to the concept of knowledge hubs mentioned in the 2012-2013 institutional budget proposal in the context of the realignment of the regional coverage in the Eastern Europe and Central Asia region. The Committee was informed that given the region's unique circumstances, a different model of cooperation was evolving along the lines of a new integrated technical approach. In particular, instead of increasing budget provisions for programme and technical staff in any given country office in the region, resources could be invested in selected and trusted UNFPA partnerships at the national and regional levels, including government or non-governmental partners. The partnerships would entail those institutions being in a position to interact directly with the UNFPA Regional Office in Istanbul with or without UNFPA country office presence. This model could lead to a transition towards a few centres of excellence to ensure attention for the International Conference on Population and Development (ICPD) agenda in the entire region. **The Advisory Committee welcomes the concept of knowledge hubs as a cost-saving approach to the implementation of the organization's mandate and an innovative transition from the traditional country office model. The Committee encourages UNFPA to provide information on its experience in the implementation of this initiative in the context of its next budget submission.**

Cost recovery

18. Upon enquiry, the Advisory Committee was informed that the UNFPA cost-recovery rate was harmonized with UNDP and UNICEF, at 7 per cent for projects funded from donors and 5 per cent for projects funded from the programme country. It was explained that the rate is based on the methodology outlined in document DP/FPA/2005/5, endorsed by Executive Board decision 2005/12 and reconfirmed by subsequent decisions. It was further explained that the cost-recovery rate was set on a no-loss, no-gain basis, meaning that the indirect costs arising from the execution of projects funded from "other resources" had to be fully recovered. In order to establish the cost-recovery rate, therefore, it is crucial to determine the indirect costs related to the implementation of projects funded from "other resources". The Committee was further informed that the current rates and methodology would again be reviewed jointly with UNDP and UNICEF in 2013, within the context of

the new integrated budget for 2014. **The Advisory Committee recalls the comments it had made in the context of its review of the UNICEF institutional budget for 2012-2013 (AC/1746 para. 26) and encourages the joint approach by UNDP, UNFPA and UNICEF to determine future cost-recovery methodology and rates. The Committee also requests a further update on the review in the context of the next budget submission.**

Page limits

19. Upon enquiry, the Advisory Committee was informed that due to the newly imposed stricter word limit on the official documents, imposed by the Department for General Assembly and Conference Management (DGACM), UNFPA was not able to include information on the actions taken to implement the Advisory Committee's recommendations in the 2012-2013 institutional budget report. The Committee recalls its earlier comments regarding a proposal to modify the current arrangements for the provision of conference services to United Nations funds and programmes in the context of its consideration of the proposed United Nations programme budget for the biennium 2012-2013 (see A/66/7, paras. 159-161). The proposed arrangement would involve the concerned funds and programmes contracting directly with DGACM for translation services on a "pay-as-you-go" basis. **The Advisory Committee reiterates the view that Board of Auditors and Advisory Committee recommendations, and the actions taken to implement them, should always be included in the budget to facilitate their consideration by the Executive Board. The Committee is also of the view that if the proposal regarding translation services on a "pay-as-you-go" basis is implemented, it should provide UNFPA with discretion on its documents and thus provide opportunity for inclusion of the details required for better comprehension of its budget proposals.**

IV. Revision of UNFPA Financial Regulations and Rules

20. The Advisory Committee notes that UNFPA would be presenting the proposed revised Financial Regulations to its Executive Board at the first regular session on 1 February 2012 for approval. The proposed revisions are laid out in the report of the Executive Director (DP/FPA/2012/3) with the added text underlined and the deleted text marked by a strikethrough line. The report also provides the reasons for the changes.

21. The Advisory Committee recalls that the General Assembly, through its resolution 60/283 of July 2006, approved the adoption by the United Nations of the International Public Sector Accounting Standards (IPSAS) to replace the United Nations System Accounting Standards (UNSAS). Subsequent to the adoption of the Assembly resolution and decision 2009/27 of the Executive Board of UNDP and UNFPA, the Executive Director issued a revised set of Financial Regulations and Rules that allowed UNFPA to change some of its accounting policies under UNSAS and move towards full IPSAS compliance in 2012. Having considered the proposal of the Executive Director and the related report of the Advisory Committee (DP/FPA/2009/13), the Board approved the proposed changes which took effect on 1 January 2010.

22. The Advisory Committee notes that in 2011, UNFPA participated in a joint exercise with UNDP and UNICEF to identify revisions to their Financial Regulations and Rules, subsequent to which new definitions and new Financial Regulations and Rules were identified to allow the organization to adopt, in 2012, the new cost classification categories approved by the Executive Board in decision 2010/32. In addition, UNFPA has revised the existing definitions and its Financial Regulations and Rules to bring them up to date with Executive Board decisions, current terminology, accounting policies and current business practices of UNFPA (see paragraphs 23-24 below). It was also indicated that, because of their long-standing familiarity with the organization, the current UNFPA external auditors had been able to operate without an updated set of Financial Regulations and Rules. With the expected change of external auditors in 2012, there was a pressing need for Financial Regulations and Rules which fully reflected UNFPA current policies and business practices.

23. The Advisory Committee was informed that 11 revisions were due to changes in accounting policies, 8 from business practices, 16 from Executive Board decisions and 45 from terminology updates. There were 18 more changes resulting from the revised cost classification categories, bringing the total number of changes to 98. In addition, there were 48 updates to existing definitions.

24. With respect to the changes in terminology, the Advisory Committee was further informed that the term "institutional budget" would replace the current term "support budget". The terms "project", "project document", and "intercountry programme" would no longer be used in the context of programming activities as further indicated in paragraphs 28-29 below. They would be replaced by the terms "programme", "workplan", "relevant programme documentation" and "global and regional programme". The phrase "executing agency" or "executing agencies" had been deleted since UNFPA only deals with "implementing partners" in the context of programming activities. The word "gross" had been deleted from the phrase "gross appropriation" in the context of budgetary contingency provision (Financial Regulation 9.8) because it was considered redundant. The terms "committing officer" and "verifying officer" would no longer be used in the context of the segregation of duties in approving business or financial transactions. UNFPA would now use the term "approving officer".

25. During its consideration of the Executive Director's report the Advisory Committee was also informed that the process of revising the Financial Regulations and Rules had involved extensive consultations and reviews specifically with the United Nations Office of Legal Affairs and the UNFPA Operations Committee. It was also indicated that the United Nations Board of Auditors and the Division for Oversight Services had reviewed the changes and provided their comments informally with the understanding that they reserved the right to revert further, if necessary. In that regard, the Advisory Committee was informed that their comments had been taken into account in the final version of the revisions. The Advisory Committee was also informed that the proposed revisions would be reviewed at a second informal session of the Executive Board before being presented at the regular session. **The Advisory Committee notes the approach taken by UNFPA to consult with the relevant entities throughout this process.**

26. The Advisory Committee notes that the IPSAS Board will continue to revise the existing standards and to issue new standards to meet emerging needs. It can

therefore be expected that compliance with IPSAS will entail periodic additions and amendments to the Financial Regulations and Rules. **The Advisory Committee trusts that UNFPA will ensure that its Financial Regulations and Rules remain in compliance with IPSAS, and remain harmonized with those of other United Nations funds and programmes and, subsequently, the United Nations Secretariat.**

Other comments and observations

27. The Advisory Committee notes the proposed deletion of the term "executing agency" and its replacement with the term "implementing partner", also referred to as "implementing agency", in Financial Regulation 2.1. The Committee notes that the proposed definition places governments, United Nations agencies and non-governmental organizations and educational institutions in the same category. The Advisory Committee trusts that this change will enable UNFPA to enhance its partnership with Member States and governments in programme implementation.

28. The Advisory Committee further notes the deletion of the terms "project" and "project document" from the UNFPA Financial Regulations and Rules, with the explanation that the current business practice is to engage in programming activities. The new definition for programme is "a plan for effectively delivering development results in line with the UNFPA mandate through a set of subordinate workplans"; while the deleted definition of project is "a separately identified undertaking… that forms part of a country or inter-country programme". **In the Committee's view, the definition of programme does not provide the same sharpness in meaning as the deleted definition of project. Similarly, "programme documentation" does not seem an appropriate replacement for "project document".**

29. Upon enquiry, the Advisory Committee was informed that the move from project to programme and from project document to programme documentation was part of a UNDG-led exercise to foster simplification and harmonization of programming procedures that was rolled out in 2004 and progressively to all countries implementing programmes. It was indicated that the process clarified the documents required to implement a programme and that a project document was no longer required to disburse funds to an implementing partner. Rather, and upon approval by the Executive Board of the country programme document, the country office needed to sign a country programme action plan (CPAP) with the Government agency that retained overall ownership of the programme. It was further clarified that in order to disburse funds, individual workplans detailing the activities and the budgets with individual implementing partners had to be signed. The workplan was a shorter, more succinct document and a lot of the information that used to be contained in the project document had been added to the CPAP. As such, the project document was no longer required to disburse funds, but rather "relevant programme documentation", specifically the CPAP and the workplan.

30. In Regulation 2.2, "contribution-in-kind" is defined as "resources of goods, services or property received at minimal cost to the organization". Upon enquiry, the Advisory Committee was informed that the definition had been written to explain what is included as an in-kind contribution and to highlight that there may be some cost associated with that type of contribution. It was further indicated that the definition was not intended to explain the accounting treatment of an in-kind

contribution, particularly if there was a cost involved in obtaining that type of contribution. The term "minimal cost" had been included in the definition to highlight for the donor as well as the UNFPA staff that judgement should be used in accepting in-kind contributions if the cost was considered more than minimal. In that regard, if the cost of obtaining a contribution was considered high or exorbitant, the contribution may not be accepted.

V. Conclusion and recommendations

31. **The Advisory Committee recommends the Executive Board's approval of the proposed appropriation of $292.2 million for the 2012-2013 institutional budget as well as the revisions of the UNFPA Financial Regulations and Rules, subject to its comments and recommendations set out in the paragraphs above. In addition, the Advisory Committee reiterates that the comments, views and recommendations contained in its earlier report (DP/FPA/2009/13) remain relevant and should be taken into account by the Board.**

Annex

UNFPA integrated resource plan

(In millions of United States dollars)

1. Resources available	2010-2011* Regular resources	Other Resources	Total resources	% of total	2012-2013 Regular resources	Other Resources	Total resources	% of total
Opening balance[a]	51.7	278.4	330.0		92.7	374.2	466.8	
Income								
Contribution	961.8	629.3	1,591.2		1,013.5	680.0	1,693.5	
Other[b]	25.5	2.9	28.4		25.3		25.3	
Total income[a]	987.4	632.3	1,619.6		1,038.8	680.0	1,718.8	
Total available	1,039.0	910.6	1,949.6		1,131.5	1,054.2	2,185.6	
2. Use of resources								
A. Development activities								
A.1 Programmes - gross[c]	689.4	536.5	1,225.9		820.4	686.5	1,506.8	
Cost recovery		(38.3)	(38.3)			(47.3)	(47.3)	
A.1 Programmes - net[c]	689.4	498.2	1,187.6	80.1%	820.4	639.2	1,459.6	83.3%
A.2 Development effectiveness	51.2	7.7	58.9	4.0%	47.1	10.4	57.5	3.3%
Total Development	740.6	505.9	1,246.5	84.1%	867.5	649.6	1,517.1	86.6%
B. United Nations development coordination								0.0%
C. Management activities								
C.1 Recurring costs	191.0	30.6	221.6	14.9%	191.1	36.8	227.9	13.0%
C.2 Non-recurring costs[d]	8.9		8.9	0.6%	6.8	-	6.8	0.4%
Total management	199.8	30.6	230.4	15.5%	197.9	36.8	234.7	13.4%
D. Special purpose								
D.1 Capital investments	5.9	-	5.9	0.4%				0.0%
Total use of resources (A+B+C+D)	946.4	536.5	1,482.8	100.0%	1,065.3	686.5	1,751.8	100.0%
3. Balance of resources (1-2)[e]	92.7	374.2	466.8		66.1	367.7	433.8	24.8%
Summary institutional budget:								
A.2 Development effectiveness	51.2	7.7	58.9	4.0%	47.1	10.4	57.5	3.3%
C.1 Management recurring costs	191.0	30.6	221.6	14.9%	191.1	36.8	227.9	13.0%
C.2 Management non-recurring costs	8.9	-	8.9	0.6%	6.8	-	6.8	0.4%
D.1 Special purpose	5.9	-	5.9	0.4%	-	-	-	0.0%
Total[f]	**256.9**	**38.3**	**295.2**	**19.9%**	**245.0**	**47.3**	**292.2**	**16.7%**

* In order to enable a comparison with the 2012-2013 budget proposal, 2010-2011 budget estimates were restated in accordance with the new cost classification approved by the Executive Board in decision 2010/32.

[a] Opening balance for 2010-2011 biennium has been revised as per financial statements for the 2008-2009 biennium. In addition, income estimates for 2010-2011 biennium have been revised, in line with summary table 1 on page 27 of the document DP/FPA/2001/1

[b] Includes interest and miscellaneous income, as well as accounting linkage to offset tax reimbursements.

[c] 'Programmes - gross' reflects total programme expenses as per financial statements; the cost recovery is credited to provide 'programmes - net' amounts and thus enabling a comparison with the estimates in the budget document, to avoid duplicate presentation of budget figures.

[d] In order to enable a comparison with 2012-2013 budget proposal, the corresponding 2010-2011 budget estimates were restated on a gross basis, i.e., with full biennial requirement (please refer to estimates for the biennial support budget 2010-2011, DP/FPA/2009/10, paragraphs 26, 28 and 30).

[e] Includes the addition to the operational reserve.

[f] Includes indirect cost recovery from co-financing resources ($40.8 million) and income tax reimbursed to nationals of one Member State ($6.5 million).

Note: Figures in this table and in other tables in this document are rounded to the closest decimal; therefore, they may not add up.

United Nations DP/FPA/2012/3

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Revision of UNFPA Financial Regulations and Rules

Report of the Executive Director

Summary

The General Assembly, through resolution 60/283, approved the adoption of the International Public Sector Accounting Standards (IPSAS) to replace the United Nations System Accounting Standards (UNSAS). IPSAS represents international best practice in accounting for the public-sector and not-for-profit organizations. At its first regular session 2007, the Executive Board adopted decision 2007/10 which took note of the transition to IPSAS.

Under IPSAS, UNFPA will operate on a full accrual method of accounting. IPSAS will improve the quality and comparability of financial information across the United Nations system resulting in improved transparency and accountability.

Following the adoption of Executive Board decision 2009/27, effective 1January 2010, UNFPA issued a revised set of Financial Regulations and Rules that allowed the organization to change some of its accounting policies under UNSAS and move to full IPSAS compliance in 2012.

In 2011, UNFPA participated in a joint exercise with UNDP and UNICEF to identify revisions to their regulations and rules. UNFPA identified new definitions and new regulations and rules to allow the organization to adopt in 2012 the new cost classification categories approved by the Executive Board in decision 2010/32. Additionally, UNFPA has updated the existing definitions and aligned its Financial Regulations and Rules based on the following: Executive Board decisions, terminology updates, accounting policies and business practices.

The Executive Board may wish to take note of the present report (DP/FPA/2012/3) and approve the revisions to the UNFPA Financial Regulations and take note of the changes to the Financial Rules contained therein.

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I. Introduction

1. Effective 1 January 2010, UNFPA issued a revised set of its Financial Regulations and Rules that allowed the organization to change some of its accounting policies under United Nations System Accounting Standards (UNSAS) drawn from International Public Sector Accounting Standards (IPSAS) requirements and move towards full IPSAS compliance in 2012.

2. In 2011, UNFPA participated in a joint exercise with UNDP and UNICEF to identify revisions to their regulations and rules. UNFPA identified new definitions and new regulations and rules to allow the organization to adopt in 2012 the new cost classification categories approved by the Executive Board in decision 2010/32. Additionally, UNFPA has updated the existing definitions and aligned its Financial Regulations and Rules based on the following: Executive Board decisions, terminology updates, accounting policies and business practices.

II. Changes in terminology

3. Proposed revisions to the regulations and rules include changes in terminology that reflect wording used in the context of the new cost classification categories and current business practices. Effective 2012, UNFPA will use the term "institutional budget" instead of the current term "support budget".

4. The terms "project", "project document",and "intercountry programme" are no longer used in the context of programming activities. UNFPA now uses the terms "programme", "workplan", "relevant programme document" and "global and regional programme". The phrase "executing agency" or "executing agencies"has been deleted since UNFPA only deals with "implementing partners" in the context of programming activities. The word "gross" is no longer used in the phrase "gross appropriation" in the context of budgetary contingency provision.

5. The terms "committing officer" and "verifying officer"are no longer used in the context of the segregation of duties in approving business or financial transactions. UNFPA now uses the term "approving officer".

6. Revisions to definitions, regulations and rules with terminology changes only are not included in this report but are contained in the annex available on the UNFPA website.

7. The following regulations and rules have only minor terminology changes pertaining to a word, words or phrasing and are not contained in the present document due to word count limitations.

Regulations	Rules
1.3	101.1(d)
4.7	
6.2, 6.4	106.1
7.3	
8.2, 8.3, 8.4, 8.6	108.4 (d(i), (ii))
9.1, 9.3, 9.4, 9.6, 9.7, 9.8, 9.9, 9.10	109.1(b),(d), 109.3 111.2
13.4	
14.12	114.1(a) 114.2 (a(i),(ii)), (b), (c) 114.3(b) 114.4(a),(b),(c) 114.8, 114.11(b) (iii)
15.1, 15.2, 15.3	115.1(a)

III. Revisions to specific regulations and rules

8. The revisions are detailed on the following pages. For ease of reference, new text added is underlined and deleted text is marked by a strikethrough line. Where an entire regulation or rule is being deleted the current associated regulation or rule number is shown with a strikethrough. Changes in the numbering of regulations, rules, paragraphs and subparagraphs resulting from revisions, will be incorporated in the complete version following the Executive Board approval of the revisions. It should be noted that subject to Executive Board approval the effective date of the revised regulations and rules will be 2012.

IV. Recommendation

9. **The Executive Board may wish to take note of the present report (DP/FPA/2012/3) and approve the revisions to the UNFPA Financial Regulations and take note of the changes to the Financial Rules contained therein.**

Regulation 2.1:

(b) "UNOPS" shall mean the United Nations Office for Project Services, which became a separate and identifiable entity as per decision 48/501 of the United Nations General Assembly;

(d) "Executive Board" shall mean the Executive Board of UNDP ~~and of~~, UNFPA and UNOPS;

~~*(k) "executing agency" (also referred to as "executing entity") shall mean:*~~

~~*(i) for UNFPA project activities not carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, the entity responsible for the overall management of UNFPA assistance for a project or a part of a project along with the assumption of full responsibility and accountability for the effective use of UNFPA resources and the delivery of outputs, and shall include the following: (a) a recipient Government or Governments; (b) organizations of the United Nations system, i.e., the United Nations, the specialized agencies, the International Atomic Energy Agency and other organizations that are or become part of the United Nations system; (c) a governmental or intergovernmental institution or agency not part of the United Nations system; (d) UNFPA itself; and (e) a non-governmental organization.*~~

~~*(ii) for UNFPA project activities carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, the entity that assumes the overall ownership of and responsibility for UNFPA project activities and the acceptance of accountability for results shall normally be the recipient Government but can also include UNFPA.*~~

(l) "implementing partner" (also referred to as "implementing agency") shall mean, for UNFPA ~~project~~ programme activities ~~carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201,~~ the entity to which the Executive Director has entrusted the implementation of UNFPA ~~assistance~~programme activities specified in a signed document, along with the assumption of full responsibility and accountability for the effective use of UNFPA resources and the delivery of outputs as set forth in such ~~document~~programme documentation. Implementing partners shall include the following: (a) a recipient Government or Governments; (b) organizations or entities of the United Nations system, including UNFPA; (c) an intergovernmental institution or agency not part of the United Nations system; (d) a non-governmental organization; and (e) academic institutions.

Regulation 2.2:

A

(i) "~~administrative and operational~~ support costs" shall mean the expenses reimbursed to an implementing partner as a result of ~~the~~their administration of programme activities financed from UNFPA funds;

(ii) "allotment" shall mean a financial authorization issued by the Executive Director to enter into commitments and incur expenses for specific purposes related to the ~~support~~institutional budget and within specified limits, during a definite period;

(iii) "appropriation" shall mean the total amount approved by the Executive Board for specified purposes in the current ~~support~~institutional budget against which commitments may be entered into and expenses incurred for those purposes up to the amounts so approved;

~~(iv) "appropriation line" shall mean a subdivision of the appropriation for which a specific amount is shown in the appropriation resolution and within which the Executive Director is authorized to make transfers without prior approval.~~

C

"cash equivalent"shall include checks, irrevocable letters of credit and other similar financial instruments that are short term, highly liquid, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

"ceiling" shall mean the regular resources provided to a regional office, subregional office, country office, headquarters division or unit for the implementation of programme activities during a given period.

~~(i) "co-financing" shall mean a resource mobilization modality through which contributions, as defined in 2.2C(iv), may be received in support of specified purposes consistent with the policies, aims and activities of UNFPA. These contributions may be in the form of cost-sharing or Trust Funds and shall be considered over and above the regular resources available for programmes.~~

(ii) "commitment" shall mean an obligation/engagement arising from a contract, agreement or undertaking, that has been entered into for the current year or one or more future years;~~in respect of a programming activity, or the support budget;~~

(iii) "contribution" shall mean ~~cash or~~all resources, including in-kindresources, provided by the donor in support of the UNFPA mandate. ~~received from a Government or intergovernmental institution; United Nations agencies; or non-governmental sources, including foundations, private sector organizations and individuals. Contributions cover programme costs as well as programme support and management and administration costs.~~

~~(iv) "contribution-in-cash" shall mean payment made in cash received by UNFPA;~~

(v) "contribution-in-kind" shall mean resources of goods, services or property received at minimal cost to the organization.~~the provision of goods and services including capital assets received by UNFPA.~~

~~(vi) "cost sharing" shall mean an arrangement by which the costs of projects that are normally charged to UNFPA regular resources, including the reimbursement of indirect costs, are covered in full or in part by a contribution or contributions from the recipient Government, or from one or more Governments other than the recipient Government, or from an organization or organizations of the United Nations system, or from intergovernmental institutions or agencies not part of the United Nations system. Such arrangement may be made on the following basis:~~

- *~~Project cost sharing whereby the contribution relates to a specific project;~~*

- *~~Programme cost sharing whereby the contribution relates not to a specific project but to all or several projects in a recipient country or region; and~~*

- *~~Third party cost sharing, which can be either project or programme cost sharing, whereby the contribution is paid by one or more entities other than the recipient Government.~~*

(vii) "counterpart contributions" shall mean the agreed contributions of recipient Governments made for the cost of specific services and facilities as set out in the individual ~~project documents~~programme documentation related to programme activities undertaken for, or with that Government;

(viii) "country programme" shall mean the programme of UNFPA assistance in a particular country, prepared and agreed jointly by the Government of that country and UNFPA~~in line with the UNDAF, if any, in collaboration with UNFPA~~, indicating the proposed use of UNFPA resources. ~~towards the achievement or furtherance of national goals in line with the UNFPA mandate during the period covered by the country programme.~~

~~*(ix) "country programme action plan" (CPAP) shall mean the management plan for the UNFPA country programme. It is signed with the recipient Government and contains information on the implementation of the country programme and the commitments of both parties.*~~

D

"development activities" shall mean category of costs associated with 'programmes' and development effectiveness activities which contribute to the effective delivery of development results, as follows:

(a) "programmes":category of associated costs traced to specific programme components or projects, which contribute to delivery of development results contained in country/regional/global programme documents or other programming arrangements;

(b) "development effectiveness": category of costs of activities of a policy-advisory, technical and implementation nature that are needed for achievement of the objectives of programmes and projects in the focus areas of the organization. These inputs are essential to the delivery of development results, and are not included in specific programme components or projects in country, regional or global programme documents.

F

(i) "fully funded" shall mean that funds in support of a ~~*project*~~*programme are available in the form of cash or cash equivalent*~~*received an irrevocable letter of credit*~~*, or, subject to guidelines established by the Executive Board, an agreement signed by UNFPA and the donor;*

~~*(ii) "funds administered by UNFPA" shall include funds in the UNFPA Account, co-financing funds and other funds established by the Executive Board or the Executive Director.*~~

G

"global and regional programme" shall mean the programme of UNFPA assistance on a global and regional level.

I

~~*(i) "implementation" shall mean:*~~

~~*(a) for UNFPA project activities not carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, the procurement and delivery of UNFPA project activity inputs and their use in producing outputs;*~~

~~*(b) for UNFPA project activities carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, the overall management and delivery of project activities to achieve specified results, including the procurement and delivery of UNFPA project activity inputs and their use in producing outputs.*~~

~~*(ii) "intercountry" when used with reference to a programme activity or project shall mean regional or interregional, as the case may be.*~~

(iii) "indirect costs" shall mean the expenses incurred by UNFPA as a result of the management and administration of ~~programme~~ activities ~~and funds~~funded from other resources.

"institutional budget" shall cover the estimates as approved by the Executive Board related to activities and associated costs in the following categories: development effectiveness, United Nations development coordination, management and special purposes.

M

"management" shall mean activities and associated costs whose primary function is the promotion of the identity, direction and well-being of an organization. These include communications, legal, oversight, audit, corporate evaluation, information technology, finance, administration, security and human resources. This includes both activities and associated costs of a recurring and non-recurring nature.

~~*(i) "management and administration" shall mean the activities of the organizational units whose primary function is the maintenance of the identity, direction and well being of UNFPA. This would include the units that carry out the functions of executive direction, organizational policy and evaluation, external relations, information, administration and audit.*~~

~~*(ii) "managerial and support services" shall mean the full range of management and administrative support provided directly to develop, oversee and monitor projects financed by co-financing contributions in accordance with the provisions of the funding agreement.*~~

N

~~*(i) "net budget" shall mean the support budget that reflects estimates of payments to be received which offset, in whole or in part, the related gross budget estimates.*~~

O

(i) "obligation" shall mean an engagement, such as a contract, agreement or undertaking that has been entered into, involving a liability against the resources of the current year in respect of a programme activity, or of the current budget period in respect of the ~~support~~ institutional budget.

(ii) "other resources" (also known as "earmarked" or "restricted")shall mean the resources of UNFPA, other than regular resources, which are received for a specific programme purpose consistent with the mandate of UNFPA and for the provision of specific services to third parties.

P

(ii) "programme" ~~within the context of the form of the presentation of the support budgets~~shall mean~~the direct inputs needed to achieve the goals of a specific project or programme for development cooperation. This may typically include experts, support personnel, supplies, property, plant and equipment, subcontracts, cash assistance and individual or group training;~~ a plan for effectively delivering development results in line with the UNFPA mandate through a set of subordinate workplans.

(iii) "programme activities" shall mean activities directly associated with the assessments, planning, ~~programming and~~ implementation, monitoring and evaluation of UNFPA assistance through country, global and regional ~~and interregional~~programmes; ~~/projects and shall be distinguished from activities of a programme support and management and administration nature;~~

"programme documentation" shall mean the formal documents, including revisions thereof, covering the agreed arrangements for the implementation of a programme. It shall also include other instruments to define the particulars of such implementation and the respective responsibilities of the parties involved.

~~(iv) "programme support" shall mean organizational units whose primary function is the development, formulation, delivery and evaluation of UNFPA's programmes. This would include units that provide backstopping of programmes either on a technical, thematic, geographic, logistical or administrative basis;~~

~~(v) "project" shall mean a separately identified undertaking relating to matters assisted by UNFPA in accordance with its mandate that forms part of a country or inter-country programme, unless it is a stand-alone project;~~

~~*(vi) "project document" shall mean the formal document, including revisions thereof, covering the agreed arrangements for the implementation of a project.It shall also include other instruments as the parties may conclude to define the particulars of such assistance and the respective responsibilities of the parties in more detail in regard to such projects.*~~

R

(i) "regular resources" (also known as "unearmarked" or "unrestricted")shall mean resources available to UNFPA that are commingled and untied. These shall include revenue from ~~voluntary~~ contributions, other governmental or intergovernmental payments to UNFPA, other contributions from non-governmental sources, including foundations, private-sector organizations and individuals, interest earnings and miscellaneous revenue.

S

"special purpose" shall mean activities and associated costs of a cross-cutting nature that (a) involve material capital investments; or (b) do not represent a cost related to the management activities of the organization.

~~*(iii) "support budget" shall cover the budget for one or more years for the costs of programme support and management and administration services of UNFPA.*~~

T

(i) "Trust Fund" (also known as "co-financing") shall mean ~~a fund or funds accepted by UNFPA under the terms of these Financial Regulations and Rules to finance activities specified by the contributor~~, a resource mobilization modality through which contributions may be received in support of specified purposes ~~which activities must be~~ consistent with the policies, aims and activities of UNFPA.These contributions shall be considered in addition to the regular resources available for programmes.

U

"United Nations development coordination" shall mean activities and associated costs supporting the coordination of development activities of the United Nations system.

~~*(ii) "UNFPA Account" shall mean the Account established for the purpose of accounting for all revenue to UNFPA, but excluding funds of Trust Funds established by the Executive Board or the Executive Director;*~~

"UNFPA Accounts" shall mean the set of accounting records established to record and report on the financial transactions of UNFPA.

~~*(iii) "UNFPA assistance to a project" shall mean the contribution to a project which is funded from the UNFPA Account;*~~

V

(i) "voluntary contributions" shall mean ~~annual~~ contributions to UNFPA from Governments of States Members of the United Nations, of the specialized agencies or of the International Atomic Energy Agency, or from non-governmental sources, including foundations, private-sector organizations and individuals.

W

"workplan" shall mean the formal document (in a standard format) signed by the implementing partner(s) and UNFPA which reflects detailed activities and budget and defines what is to be accomplished during the period agreed by an implementing partner. It is the basis for requisitioning, committing and disbursing funds to carry out planned activities and for their monitoring and reporting.

Regulation 4.3: *Voluntary contributions may be ~~pledged either on~~ for an annual or multi-year ~~basis~~period.*

Regulation 4.8: *(b) Contributions in cash towards the costs of UNFPA country offices shall be ~~credited to~~included in the ~~support~~institutional budget of UNFPA.*

Regulation 4.10: *Where the purpose of a contribution ~~as described in Regulation 4.1~~is forthe general support of UNFPA and no limitations are imposed by the donor as to its use, the resources received shall be ~~credited to the UNFPA Account, as defined in Regulation 2.2 U(ii)~~treated as regular resources. ~~Other~~ Contributions ~~proposed~~ for specific purposes shall be treated under the provisions for ~~cost-sharing in Article IV or~~ Trust Funds in Article V.*

~~**Regulation 4.12:** *The Executive Director is authorized to enter into cost-sharing agreements, as defined in Regulation 2.2C(vii), provided such cost-sharing arrangements have been accepted by the recipient country or countries, subject to such principles as the Executive Board may establish.*~~

~~**Regulation 4.13:** *Cost-sharing agreements and contributions there under shall be subject to the following conditions:*~~

~~*(a) Contributions would be denominated for accounting purposes in United States dollars; however, UNFPA would accept payment in the local currency of a recipient Government to the extent that such currency could be used to meet project expense requirements;*~~

~~*(b) Contributions would be paid pursuant to a written agreement made between the contributor and UNFPA. Such agreement would specify that the contributions should be fully funded in advance of the implementation of planned activities. All third-party contributions would be accepted subject to the agreement of the recipient Government.*~~

~~*(c) The Executive Director shall require reimbursement of indirect costs up to the rates authorized by the Executive Board*~~

~~*Rule 104.2*~~

~~(a) Government counterpart contributions to a project may be provided in the form of cash or in kind, and provision for these, whenever applicable, shall be made in the annual workplan and budget contained in the relevant project document.~~

~~(b) Cost-sharing contributions shall be set forth in the project document and in an agreement with the contributing party. These contributions shall be payable subject to a schedule of payments. Payments must be received prior to authorization of commitments through allocation of funds.~~

~~(c) Should the Executive Director agree to accept payment of a cost-sharing contribution in a currency other than United States dollars, any consequent identifiable loss on exchange shall be reimbursed by the contributing party. If reimbursement is not made, the recorded contributions shall be reduced accordingly.~~

~~(d) Any unexpended cost-sharing contributions remaining after formal closing of the relevant project accounts shall be disposed of by UNFPA, in consultation with the contributing party.~~

~~(e) Cost-sharing contributions shall be recorded in the UNFPA Account as "other resources" and any interest accruing to temporarily surplus balances shall be credited to the UNFPA Account.~~

~~**Regulation 4.14:** *All revenue to UNFPA shall be classified as miscellaneous revenue, except:*~~

~~*(a) The revenue from the items specified in Regulations 4.1 through 4.13;*~~

~~*(b) Interest revenue;*~~

~~*(c) Direct refunds of expenses in respect of projects during the approved duration of a project, i.e., before the final allocation for UNFPA assistance to a project is made;*~~

~~*(d) Direct refunds of expenses in respect of the support budget during the current budget period;*~~

~~***(e) Advances or deposits to Trust Funds;***~~

~~***(f) Revenue derived from the Staff Assessment Plan; and***~~

~~***(g) Amounts otherwise designated to be credited to the support budget, including, inter alia, revenue derived from recovery of indirect costs and net revenue relating to procurement services provided to third parties.***~~

Regulation 4.15: ***Interest or investment revenue with respect to ~~Special Accounts and~~ other resources including~~Trust Funds~~ shall be retained~~and~~ and form part of regular resources~~unless~~ unless otherwise authorized by the Executive Director.***

Rule 104.3

~~(a) Refunds of expenses financed from a given support budget, including refunds obtained as proceeds of the sale of assets, shall be credited to the accounts originally charged if received in the same financial period. Refunds subsequently received shall be credited to miscellaneous revenue.~~

(b) Refunds of ~~project~~ expenses prior to the completion of programme activities~~during the life of a project, i.e., before the project is financially closed, including refunds obtained asproceeds of the~~including gains from the sale of assets relating to that~~project~~programme, shall be credited to the ~~project~~ programme activities account originally charged. Refunds subsequently received shall be credited to ~~miscellaneous revenue~~regular resources.

Regulation 4.16: ***Miscellaneous revenue shall be credited to ~~the UNFPA Account, as in Regulation 2.2 U(ii), regular resources or to other funds administered by UNFPA to which the revenue accrued or from which it was derived~~the Trust Fund to which it relates.***

Rule 104.4

Miscellaneous revenue attributable to UNFPA programme activities which accrues to the accounts of an ~~executing agency or~~ implementing partner~~, if any~~, subsequent to the completion of programme activities shall be reported to UNFPA by the implementing partner and will be attributed~~at the end of each financial year to the UNFPA Account~~ to the regular resources or to the Trust Fund ~~account~~ to which it relates.

Regulation 5.4: ***Funds received by UNFPA under Regulation ~~14.7~~14.9 for procurement of supplies, equipment and services on behalf and at the request of Governments, specialized agencies or other intergovernmental or non-governmental organizations shall be ~~treated as Trust Funds~~ separately accounted for. The revenue relating to procurement services provided to third parties shall also be used to meet the cost of these services.***

Regulation 5.6: ***The Executive Director shall require reimbursement of indirect costs ~~up to the rates authorized by the Executive Board~~ at the prevailing rates.***

Rule 105.2

The Executive Director shall, in the annual financial statements, report for each Trust Fund the balance on hand at the beginning of the year, the total of contributions and other revenue~~, including interest received,~~ and total expenses incurred during the year, as well as the balance remaining at the end of the year.

Rule 105.3

(c) Unless otherwise provided by the Executive Board, the Trust Fund and associated activities ~~financed there from~~ shall be administered in accordance with and governed by the applicable regulations, rules and directives.

Rule 105.4

Any ~~unexpended~~unspent funds remaining after formal closing of the relevant Trust Fund accounts shall be ~~disposed of~~dealt with by UNFPA in agreementwith the donor~~ or donors~~.

Regulation 6.3: ***The financial period for the purpose of incurring and accounting for expenses in respect of programme activities~~, including reimbursement of related indirect costs,~~ shall consist of a single calendar year.***

Rule 108.2

Subject to such limits as the Executive Board may ~~from time to time~~ prescribe, the following items shall be submitted to the Board for prior approval:

(a) Country programmes, ~~intercountry programmes and other comprehensive~~and global and regional programmes;

(b) ~~Individual projects~~Total annual workplans not part of a programme in the amount of $~~1~~ 2 million or more of regular resources;

(c) ~~Projects~~ Programme activities which because of their innovative aspects or policy implications require the Board's prior consideration;

(d) Any ~~other projects or types of projects~~ programmes which the Executive Board decides that the Executive Director should submit to the Board;

(e) Any individual ~~project~~workplan which the requesting Government or Governments may ask the Executive Director to submit to the Board;~~and~~

(f) Any other ~~project or type of project~~programme activities which the Executive Director for any reason considers it advisable to submit to the Board; and

(g) Extension beyond one year of country programmes with a proposed indicative amount of assistance.

~~*Rule 108.3*~~

~~The Executive Director shall each year in his/her Annual Report to the Executive Board provide a list of all project approvals given by him/her under Rule 108.2 (b through g).~~

Rule 108.4

(a) No ~~project~~activities~~may be approved and no budget~~ shall be approved for any ~~such project~~programme~~in the absence of a project document~~the relevant programme documentation.~~A project document~~Workplans shall be prepared ~~for each project~~ and agreed to by or on behalf of the Executive Director, and ~~the~~~~executing agency~~~~and/or the~~ implementing partner(s)~~, if any~~, ~~designated pursuant to Rule 108.5~~.

(b) The ~~project document~~workplan, when approved and signed by or on behalf of the Executive Director, shall constitute a commitment on the part of UNFPA to make funds available to ~~the recipient Government(s) or party(s) through the executing agency~~~~and/or the~~ implementing partner(s)~~, if any, where applicable and~~ subject to (i) the availability of ~~the necessary~~ funds to UNFPA and (ii) the implementing partner's compliance with its undertaking and commitments as set out in the ~~project document~~relevant programme documentation.~~, the inputs making up the UNFPA assistance described in the project document. It shall serve as the official control document for the project.~~

~~(c) Each project document shall include, to the extent applicable, all pertinent information as determined by the Executive Director from time to time.~~

(d) Where the ~~executing agency or~~ implementing partner is a Government or ~~an NGO~~a non-governmental organization, the respective organization and UNFPA will enter into a letter~~/memorandum~~ of understanding (LoU) defining, inter alia, the following:

Regulation 8.5: ***Arrangements for the establishment and financing of a project****programme activities* ***shall be*** *contained in the relevant programme documentation****. subject to the written agreement of the requesting party(s) and UNFPA. Arrangements for project implementation shall be subject to the written agreement of the requesting party(s), the executing agency or, under the harmonized operational modalities, the implementing partner, where appropriate, and UNFPA. Details of such arrangements shall be specified in the project document which shall also contain such provisions of a general nature as may be deemed necessary to ensure the satisfactory implementation of the project.***

Rule 108.5

The Executive Director, in agreement with the recipient Government, may designate in the ~~project document~~relevant programme documentation~~an executing agency~~~~and/or~~implementing partners~~, if any~~, to implement UNFPA assistance. ~~to a project~~. ~~With the agreement of the recipient Government the executing agency~~~~and/or implementing partner if any, the Executive Director may designate one or more associate agencies to assist in the implementation of such assistance.~~

Regulation 8.7: ***Under conditions established by the Executive Board, the Executive Director is also authorized, subject to the agreement of the requesting Government(s), in the relevant programme documentation, to appoint as executing agencyimplementing partner an entity other than the recipient Government(s) and as defined in Regulation 2.1(k). The Executive Director may also contract for services of other agencies, private firms or individual experts in the implementation of UNFPA-funded projects workplans.***

Regulation 8.8: ***The Executive Director may reimburse executing agencies or, under the harmonized operational modalities, implementing partners, as defined in regulations 2.1(l) and (l) for their indirect support costs up to levels determined by the Executive Board in accordance with prevailing rates.***

Rule 108.6

No indirectsupport costs shall be reimbursable to a Government.

Regulation 8.9: ***The net recovery of indirect costs shall be credited to the support budget.***

Rule 108.7

(a) Following appropriate consultations with the parties concerned, the Executive Director may suspend UNFPA assistance by written notice to the recipient Government and, if applicable, the implementing partner, if he/she finds that the conditions set out in the project documentrelevant programme documentation have not been complied with, or that the successful implementation of the project is not in his/her opinion proceeding satisfactorily,by written notice to the recipient Government and, if applicable, the executing agencyand/or implementing partner, if any, suspend UNFPA assistance to a project.

(b) (i) terminate the UNFPA assistance to the project; or

(ii) with the government's concurrence entrust it to another executing agency or implementing partner.

(c) In the event of termination of UNFPA assistance to a projectunder (b), UNFPA shall reimburse the organization for the costs it may incur or may have incurred (and for which provision has been made in the project documentworkplan) in implementing UNFPA assistance to such project up to the effective date of termination, including:

(i) reasonable costs incurred in winding up its implementation of UNFPA assistance to the projectworkplan; and

(ii) a prorata share of the ~~indirect~~support costs allowable ~~for the project~~as per the workplan, corresponding to the ~~proportionate~~ amount ~~that had been expended~~spent ~~on the project on~~up to the date of termination in relation to the total UNFPA allocation. ~~for the project as determined in the project document~~.

Regulation 8.10: ***Approval of UNFPA's assistance ~~to a project~~ becomes effective upon signature of the relevant programme documentation. ~~project document by the Government or Governments and UNFPA and, where appropriate, by an executing agency or, under the harmonized operational modalities, implementing partner, or other party selected under regulation 8.7 above.~~***

Rule 109.1

(a) The proposed ~~support~~institutional budget, both for revenue and for expenses, shall be prepared in ~~accordance with the guidelines contained in document DP/1997/2, "Harmonization of Budgets: UNDP, UNFPA and UNICEF" and any revisions thereto~~ the form adopted by the Executive Board in decisions on the harmonization of budget presentations.

~~(c) The Executive Director, as authorized to do so by decision of the Executive Board at the time of its approval of the support budget, may transfer appropriations between appropriation lines within the support budget, within authorized limits~~

Regulation 9.2: ***The ~~support~~institutional budget shall cover proposed ~~commitments,expenses~~disbursements and staff entitlements~~and anticipated revenue related to the support budget~~period and shall be presented in United States dollars.***

Rule 109.2

The Director, Division for Management Services, shall issue ~~annual~~ guidelines ~~concerning budget allotments and expenses~~ to implement the institutional budget.

~~**Regulation 10.1:** ***The project budget concerning UNFPA's assistance to a project, as contained in an approved project document, shall constitute the allocation of funds by the Executive Director to the executing agency or, under the harmonized operational modalities, implementing partner, to implement UNFPA's assistance to the project. For the purposes of regulation 10.2 below, the project budget shall be presented in annual segments.***~~

Regulation 10.2: ~~***Budgets issued by the Executive Director which authorizes the incurring of expenses and the entering into of commitments,***~~***Subject to the availability of funds, the workplan shall constitute the allocation of funds and a ceiling on expenses from the Executive Director to the implementing partner. The workplan shall authorize the incurring of expenses and entering into commitments by the implementing partner for the duration of the relevant programme documentation. ~~for the current year and on commitments for future years in connation with UNFPA's assistance to the project for which the budget was given.~~***

Regulation 10.3: ~~***Budgets shall be available for expenses and for commitment for the duration of the project to which they relate.***~~ ***Following*** ~~***project***~~***financial completion of the workplan activities, the balance of the unspent funds shall revert to the*** ~~***UNFPA Account***~~***account from which the resources originated or the UNFPA regular resources.***

~~**Regulation 10.4:** ***Within the limit of the total annual estimated programme expenses, the Executive Director shall be authorized to incur expenses above or below the individual annual estimates made for each project in accordance with the actual progress and requirements of such projects.***~~

Rule 110.1

(a) The Executive Director may approve ~~budgets~~resourceson either an annual or multi-year basis, in accordance with the strategic planand other relevant programme documentation, to cover programme expenses and commitmentsand their revisions.~~that may be incurred with respect to countryand intercountryprojects financed from the UNFPA Account~~. Such ~~budgets~~resourcesshall ~~in each case~~ be subject to the availability of funds.

~~(b) Subject to the strategic plan as approved by the Executive Board and to the provisions of Regulation 8.2 and Rule 108.1, the Executive Director may, from time to time, approve revisions of the approved budgets referred to in sub-paragraph (a) including~~:

~~(i) revisions for the purpose of reflecting changes in the rate of actual expenses on a project, with a consequent rephasing of inputs to the project from one year to another; or~~

~~(ii) revisions made following completion of a project in accordance with Regulation 10.3.~~

(c) The Executive Director shall monitor closely the need for such revisions in consultation with the ~~executing agencyand/or~~ implementing partner ~~(if any)~~ and the recipient Government.~~, and,~~Subject to the overall limits set out in the strategic plan, the Executive Director may change the ceiling~~shall give effect to such changes inbudgets~~ as ~~may be~~ necessary ~~in order~~ to ensure the optimum utilization of all resources available to UNFPA.

Rule 110.2

(a) The ~~executing agencyand/or~~ implementing partner~~, if any,responsible for carrying out a project~~ shall complete all programme activities as agreed to and within the time frame of the workplan. ~~notify the Executive Director when it considers that alloperational activity connected with a project has been completed or ceased and that the project should be wound up~~. If the implementing partner requires additional time to complete programme activities then the implementing partner shall request the Executive Director to enter into a new or revised workplan.

(b) ~~A project which has been operationally completed, or terminated, and for which all financial transactions have been recorded andthe project accounts closed shall be considered financially completed~~. UNFPA shall not finance programme activities carried out in a period outside the approved workplan.

(c) For programme activities financed by other resources the financial completion ~~of a project~~ shall be accomplished within 12 months after the ~~month~~year in which it is operationally completed or terminated.

Rule 110.3

~~(a) Savings/deficits on the liquidation of obligations charged to financially completed projects shall be credited/charged to the UNFPA Account under Miscellaneous Revenue or to other funds administered by UNFPA from which the savings/deficit was derived.~~

(b) Unforeseen disbursements or refunds in respect of financially completed ~~projects~~programme activities shall be charged/credited to ~~the UNFPA Account under Miscellaneous Revenue or to other funds administered by UNFPA from which the disbursement/refund derived~~the Trust Fund to which it relates otherwise to regular resources.

(c) The Executive Director shall establish policies and procedures with respect to net adjustments on account of financially completed ~~projects~~programmeactivities.

~~**Regulation 10.5:** ***The final budget for UNFPA assistance to a project made under the provisions of Regulation 10.3 above shall remain available for the period of time required to discharge any outstanding commitments of the project. When all commitments against the budget have been discharged, any balance of funds advanced shall be reimbursed to UNFPA.***~~

Regulation 11.1: ***Appropriations for the ~~support~~institutional budget approved by the Executive Board shall constitute an authorization to the Executive Director to enter into commitments ~~and incur expenses~~ and to make payments for the purposes for which the appropriations were approved and up to the amounts so approved.***

Rule 111.1

(a) Subject to the provisions in Regulation 9.8, the Director, Division for Management Services, shall be responsible for ensuring that all ~~expenses~~payments and commitments relating to the ~~support~~ institutionalbudget as approved by the Executive Board remain within the appropriations and are incurred and entered into, respectively, only for the purposes approved. He/she shall at the beginning of each budget period make allotments of funds on a basis that conforms to the ~~main objects of expenses~~appropriations approved by the Executive Board.

(b) By delegation of authority by the Executive Director, ~~T~~the Director, Division for Management Services, may increase or decrease the amount of an allotment as required. No increase, decrease or ~~office may~~ transfer between allotments ~~between expenses categories, except with his/her written~~ can be made without the approval of the Director, Division for Management Services.

(c) At the end of the first calendar year of a budget period any ~~unencumbered~~ unused balance of appropriations shall be carried over and remain available for expenses in the following year, as authorized by the Director, Division for Management Services.

Regulation 11.2: ***Appropriations for the ~~support~~institutional budget shall be available for commitments and ~~expenses~~disbursements during the budget period to which they relate.***

~~**Regulation 11.3:** ***Appropriations shall remain available for 12 months following the end of the budget period to which they relate to the extent that they are required to discharge any outstanding commitments of the budget period. The balance of the appropriations shall revert to the UNFPA Account.***~~

~~**Regulation 11.4:** ***At the end of the 12-month period provided in Regulation 11.3 above, the then remaining balance of any appropriation retained will revert to the UNFPA Account. Any commitments of the budget period in question shall at that time be cancelled or, where the commitment remains valid, transferred as a commitment against current appropriation.***~~

Regulation 11.5: ***Transfers ~~between the appropriation lines~~within the approved institutional budget for the budget period may be made by the Executive Director, subject to such limits as the Executive Board may decide. ~~specifically decide with the concurrence of the Advisory Committee.~~***

~~**Regulation 12.1:** ***There shall be established a UNFPA Account to which all of the revenue to UNFPA derived from the sources specified in Article IV and receivable in cash shall be credited and against which all expenses on behalf of UNFPA shall be charged, except for revenue and expenses in respect of Trust Funds administered by UNFPA.*** ***The UNFPA Accounts shall separately identify revenue and expenses, assets and liabilities attributable to regular resources, trust funds and procurement activities.***

Regulation 12.2: ***Within the UNFPA ~~Account~~ Accounts, the following reserves shall be established at levels set by the Executive Board:***

Rule 112.1

The level of the operational reserve, to be established at the end of each year, shall be calculated at 20 per cent of ~~total regular revenue~~ net contribution revenue of regular resources for that year.

~~**Regulation 12.3:** ***Separate accounts shall be maintained for all reserves within the UNFPA Account and for each Trust Fund administered by UNFPA.***~~

Regulation 12.4: ***~~Working capital~~Funding for all reserves shall be provided from ~~the cash resources of the UNFPA Account~~the regular resources.***

~~Rule 113.4~~

~~UNFPA funds placed in short-term instruments shall be registered with relevant details in a separate UNFPA ledger and shall be included as assets of UNFPA in the financial accounts and reports of UNFPA.~~

Regulation 13.6: ***Revenue derived from placement of funds shall be credited to ~~the UNFPA Account,~~regular resources, unless otherwise authorized by the Executive Director.***

Regulation 14.2: ***There shall be a separation of duties ~~as defined by~~in accordance with the UNFPA Internal Control Framework~~document~~.***

Rule 114.2

(d) Any undue interference with the ~~committing~~commitmentprocess should be brought to the attention of the Executive Director and, if appropriate, referred to the ~~Disciplinary Committee~~Director, Division for Oversight Services.

Rule 114.4

(e) Any undue interference with the ~~verification~~approvalprocess should be brought to the attention of the Executive Director and, if appropriate, referred to the ~~Disciplinary Committee~~Director, Division for Oversight Services.

Regulation 14.4: ***Expenses for the current year and commitments for future years shall be incurred and entered into, respectively, only after ~~budgets~~ resources for programme activities, allotments in respect of the ~~support~~institutional budget or other appropriate authorizations have been made in writing under the authority of the Executive Director.***

Rule 114.10

(a) Any loss of cash, inventory, property, plant, equipment, other assets or negotiable instruments shall be reported at once to the Director, Division for Management Services.

(b) The Executive Director shall require the Director, Division for Management Services, to make a full ~~investigation~~ review of all cases involving the writing off of losses. He/she shall also require a similar ~~investigation~~review and report of all cases involving the loss of UNFPA cash, inventory, property, plant, equipment and other assets before writing off such losses or authorizing the adjustment of UNFPA records to bring the balance shown by the records into conformity with actual quantities held following such loss.

(c) If satisfied following receipt of the report of the Director, Division for Management Services, that the losses which were the subject of the ~~investigation~~review are irrecoverable and must be written off or written down in value on the records of UNFPA, the Executive Director may approve the writing off or writing down of such losses.

(d) ~~In each investigation and report,~~Should the review reveal alleged misconduct, the Director, Division for Management Serviceswould refer the matter to the Director, Division for Oversight Services,~~shall state whether or not the loss is, in any way, due to the neglect, carelessness or culpability of any official of UNFPA. In any case~~Where it is established ~~to the satisfaction of the Executive Director~~ that neglect, carelessness or culpability existed, ~~he/she~~the Executive Directormay take such disciplinary or other action ~~as he/she deems appropriate~~ in accordance with the Staff Regulations and Rules, and may require the responsible official to reimburse the loss fully or partially.

The amount authorized for waiver ~~of~~by Division for Management Services review of proposed~~investigation and~~ write-off is $2,500 or less.

(e) The Executive Director shall issue fraud prevention policies.

Regulation 14.7: ***The Executive Director is responsible and accountable for carrying out the procurement functions of UNFPA ~~and for managing its property~~ effectively and efficiently, in furtherance of the mandate and activities of UNFPA.***

(a) The procurement functions of UNFPA include all actions necessary for the acquisition, by purchase or lease, of property, including ~~construction, of~~goods ~~real property~~and services.

~~(b) The management of property includes all actions necessary for receipt, maintenance and disposal of property of UNFPA.~~

(c) The Executive Director may delegate authority, as appropriate, for such procurement functions. ~~and management of property.~~

Rule 114.11

(b) (iii) shall ensure that when advice of the review committee established under the preceding provisions of this Rule is required, no commitment may be entered into before such advice is acted upon by the CPO. In cases where the CPO or his/her delegate decides not to accept the advice of such committee, he/she shall record the reason for such decision.

Rule 114.15

(a) The CPO may determine for a particular procurement action that using formal methods of solicitation is not in the best interest of UNFPA:

(viii) When there is genuine exigency for the requirement beyond the control of UNFPA;

Rule 114.19

(a) The CPO shall establish property survey boards for headquarters and other locations, to render written advice to him/her in respect of ~~loss,~~ damage or other discrepancy regarding the property of UNFPA. The CPO shall establish the composition and terms of reference of such boards, which shall include procedures for determining the cause of such ~~loss,~~ damage or other discrepancy, the disposal action, and the degree of responsibility, if any, attaching to any official of UNFPA or other party, for such ~~loss.~~ damage or other discrepancy.

Internal audit and evaluation

Regulation 14.xx: ***In accordance with the UNFPA Oversight Policy, approved by the Executive Board, the roles and responsibilities of the Division for Oversight Services (DOS) are set forth in its charter approved by the Executive Director. The oversight services provided by DOS cover internal auditing, fraud prevention and detection, investigation, evaluation and advisory services. The Director of the Division for Oversight Services reports on internal audit and oversight activities annually and on evaluation activities biennially to the Executive Board at its annual session. The Division for Oversight Services solely performs, manages, or authorizes others to perform or manage independent oversight services.***

Rule 114.20

In accordance with the UNFPA Oversight Policy, the Executive Director appoints the five members of the Audit Advisory Committee to serve three-year terms, renewable once. The roles and responsibilities of the Audit Advisory Committee are set forth in its terms of reference approved by the Executive Director.

[N.B. It should be noted that current Rule 114.20 is being deleted in its entirety.]

Rule 115.1

(b) ~~The internal audit procedures in effect for each executing agencyand/or implementing partner, if any, shall apply to any funds entrusted to it by UNFPA.~~

Rule 116.1

(a) ~~All financial transactions shall be recorded in the accounts on the basis of United Nations System Accounting Standards. Starting in 2012~~All financial transactions will be recorded in the accounts on the basis of International Public Sector Accounting Standards.

~~(e) Upon the closing of the accounts at the end of a financial year the Executive Director shall cause a revaluation to be made of cash balances and other assets and liabilities held in currencies other than U.S. dollars based on the United Nations operational rate of exchange on 1st January of the year following the date of closing.~~

Rule 116.2

(b) The Executive Director shall sign the financial statements following certification and submit them to the United Nations Board of External Auditors not later than 30 April of the ~~year~~ following yearthe ~~end of the 2010-2011 biennium. Effective with the year 2012 financial statements, and every year thereafter, financial statements will be submitted not later than 30 April of the following year~~. Copies of the financial statements and schedules referred to in this Rule shall be submitted at the same time to the Advisory Committee.

(c) The financial statements shall include, in addition to the items specified in regulation 16.1:

(i) ~~statements~~schedule of fund balances for the ~~UNFPA account~~regular resources and for any Trust Funds ~~and special accounts~~;

(ii) ~~statements~~schedule of unspent allocations for programme activities and ~~commitments of~~forthe ~~support~~institutional budget;

(iii) such other statements as the Executive Director or the Executive Board require~~; and~~.

~~(iv) supporting schedules, which shall include:~~

~~(aa) a summary of investments;~~

~~(bb) a summary of miscellaneous revenue; and~~

~~(cc) such other schedules as the Executive Director may require.~~

Rule 116.x

The financial period with respect to the annual Financial Statements will consist of one calendar year ended 31 December.

Regulation 17.1: ***The External Audit provisions of Article VII of the United Nations Financial Regulations have been annexed for information to these Regulations and shall, mutatis mutandis, apply to UNFPA, except that:***

(b) Executing agencies or, under the harmonized operational modalities,implementing partners, which are organizations of the United Nations system shall transmit to the Executive Director for submission to the Executive Board biennial accounts showing the status of funds allocated to them by the Executive Director for the execution of UNFPA activities. Effective from their submissions for the year 2012 executing agencies or, under the harmonized operational modalities,implementingImplementing partners, which are organizations of the United Nations system shall transmit to the Executive Director for submission to the Executive Board annual accounts showing the status of funds allocated to them by the Executive Director for the executionimplementation of UNFPA activities. Such accounts shall bear audit certificates from the organizations' External Auditors and

shall be accompanied by their reports, if any, and copies of any relevant resolutions adopted by their legislative or governing bodies;

(c) In submitting the above ~~biennial~~ accounts to the Executive Board, the Executive Director shall comment on the Auditors' substantive observations and on their follow-up.

Regulation 17.2 (a) ~~The Executive Director shall ensure that, except for organizations of the United Nations system, executing agencies or, under the harmonized operational modalities, implementing partners, shall require their auditors to follow, to the extent feasible, the audit principles and procedures prescribed for the United Nations with respect to funds obtained from or through UNFPA, and shall ensure that each project is audited periodically as required by the Executive Director, but at least once in its lifetime, except in the case of sector budget support and pooled funds.~~ Except for organizations within the United Nations system and sector budget support and pooled funds, the Executive Director shall ensure that funds provided by UNFPA to implementing partners are audited in accordance with standards and criteria set by the Executive Director.